



ANNUAL STATEMENT  
For the Year Ending December 31, 2006  
OF THE CONDITION AND AFFAIRS OF THE  
TOTAL HEALTH CARE USA, INC.

NAIC Group Code	1238 (Current Period)	1238 (Prior Period)	NAIC Company Code	12326	Employer's ID Number	38-3240485
Organized under the Laws of	Michigan		State of Domicile or Port of Entry	Michigan		
Country of Domicile	United States of America					
Licensed as business type:	Life, Accident & Health[ ] Dental Service Corporation[ ] Other[ ]		Property/Casualty[ ] Vision Service Corporation[ ] Is HMO Federally Qualified? Yes[ ] No[X] N/A[ ]		Hospital, Medical & Dental Service or Indemnity[ ] Health Maintenance Organization[X]	
Incorporated/Organized	02/18/1994		Commenced Business	02/18/1994		
Statutory Home Office	3011 W. GRAND BLVD., SUITE 1600 (Street and Number)		DETROIT, MI 48202 (City, or Town, State and Zip Code)			
Main Administrative Office	3011 W. GRAND BLVD., SUITE 1600 (Street and Number)					
	DETROIT, MI 48202 (City or Town, State and Zip Code)		(313)871-2000 (Area Code) (Telephone Number)			
Mail Address	3011 W. GRAND BLVD., SUITE 1600 (Street and Number or P.O. Box)		DETROIT, MI 48202 (City, or Town, State and Zip Code)			
Primary Location of Books and Records	3011 W. GRAND BLVD., SUITE 1600 (Street and Number)					
	DETROIT, MI 48202 (City, or Town, State and Zip Code)		(313)871-2000 (Area Code) (Telephone Number)			
Internet Website Address	TOTALHEALTHCAREONLINE.COM					
Statutory Statement Contact	BRIAN J EFRUSY, CFO (Name)		(313)871-7879 (Area Code)(Telephone Number)(Extension)			
	BEFRUSY@THC-ONLINE.COM (E-Mail Address)		(313)871-7406 (Fax Number)			
Policyowner Relations Contact	3011 W. GRAND BLVD., SUITE 1600 (Street and Number)					
	DETROIT, MI 48202 (City, or Town, State and Zip Code)		(313)871-2000 (Area Code) (Telephone Number)(Extension)			

OFFICERS

Name	Title
LYLE EDWARD ALGATE	EXECUTIVE DIRECTOR
KATHY KATHER	SECRETARY
RUBY COLE	TREASURER
ROBYN JAMES ARRINGTON JR., M.D.	MEDICAL DIRECTOR

OTHERS

DIRECTORS OR TRUSTEES

FRANCES LYNCH  
RUBY COLE  
KATHY KATHER

State of Michigan  
County of WAYNE ss

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of the said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature) LYLE EDWARD ALGATE (Printed Name) 1. EXECUTIVE DIRECTOR (Title)	(Signature) KATHY KATHER (Printed Name) 2. SECRETARY (Title)	(Signature) RUBY COLE (Printed Name) 3. TREASURER (Title)
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Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, 2007

a. Is this an original filing?  
b. If no, 1. State the amendment number  
2. Date filed  
3. Number of pages attached

Yes[X] No[ ]

\_\_\_\_\_  
(Notary Public Signature)

ASSETS

		Current Year			Prior Year
		1	2	3	4
		Assets	Nonadmitted Assets	Net Admitted Assets (Cols.1-2)	Net Admitted Assets
1.	Bonds (Schedule D) .....	435,000		435,000	315,000
2.	Stocks (Schedule D)				
2.1	Preferred stocks .....				
2.2	Common Stocks .....				
3.	Mortgage loans on real estate (Schedule B):				
3.1	First liens .....				
3.2	Other than first liens .....				
4.	Real estate (Schedule A):				
4.1	Properties occupied by the company (less \$.....0 encumbrances) .....				
4.2	Properties held for the production of income (less \$.....0 encumbrances) .....				
4.3	Properties held for sale (less \$.....0 encumbrances) .....				
5.	Cash (\$.....5,160,580 Schedule E Part 1), cash equivalents (\$.....0 Schedule E Part 2) and short-term investments (\$.....1,430,713 Schedule DA) .....	6,591,293		6,591,293	2,874,420
6.	Contract loans (including \$.....0 premium notes) .....				
7.	Other invested assets (Schedule BA) .....				
8.	Receivables for securities .....				
9.	Aggregate write-ins for invested assets .....				
10.	Subtotals, cash and invested assets (Lines 1 to 9) .....	7,026,293		7,026,293	3,189,420
11.	Title plants less \$.....0 charged off (for Title insurers only) .....				
12.	Investment income due and accrued .....	11,585		11,585	3,337
13.	Premiums and considerations				
13.1	Uncollected premiums and agents' balances in the course of collection .....	1,117,498	42,283	1,075,215	1,158,906
13.2	Deferred premiums, agents' balances and installments booked but deferred and not yet due (Including \$.....0 earned but unbilled premiums) .....				
13.3	Accrued retrospective premiums .....				
14.	Reinsurance:				
14.1	Amounts recoverable from reinsurers .....				
14.2	Funds held by or deposited with reinsured companies .....				
14.3	Other amounts receivable under reinsurance contracts .....				
15.	Amounts receivable relating to uninsured plans .....				
16.1	Current federal and foreign income tax recoverable and interest thereon .....				
16.2	Net deferred tax asset .....				
17.	Guaranty funds receivable or on deposit .....				
18.	Electronic data processing equipment and software .....				
19.	Furniture and equipment, including health care delivery assets (\$.....0) .....				
20.	Net adjustment in assets and liabilities due to foreign exchange rates .....				
21.	Receivables from parent, subsidiaries and affiliates .....	146,236		146,236	
22.	Health care (\$.....0) and other amounts receivable .....	128,944		128,944	
23.	Aggregate write-ins for other than invested assets .....	30,000	30,000		
24.	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23) .....	8,460,556	72,283	8,388,273	4,351,663
25.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....				
26.	Total (Lines 24 and 25) .....	8,460,556	72,283	8,388,273	4,351,663
DETAILS OF WRITE-INS					
0901.	.....				
0902.	.....				
0903.	.....				
0998.	Summary of remaining write-ins for Line 9 from overflow page .....				
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above) .....				
2301.	Other Non Admitted .....	30,000	30,000		
2302.	.....				
2303.	.....				
2398.	Summary of remaining write-ins for Line 23 from overflow page .....				
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above) .....	30,000	30,000		

LIABILITIES, CAPITAL AND SURPLUS

		Current Year			Prior Year
		1 Covered	2 Uncovered	3 Total	4 Total
1.	Claims unpaid (less \$.....0 reinsurance ceded) .....	3,180,523		3,180,523	1,398,227
2.	Accrued medical incentive pool and bonus amounts .....	213,001		213,001	77,312
3.	Unpaid claims adjustment expenses .....	71,545		71,545	21,652
4.	Aggregate health policy reserves .....				
5.	Aggregate life policy reserves .....				
6.	Property/casualty unearned premium reserves .....				
7.	Aggregate health claim reserves .....				
8.	Premiums received in advance .....	657,178		657,178	241,244
9.	General expenses due or accrued .....				
10.1	Current federal and foreign income tax payable and interest thereon (including \$.....0 on realized capital gains (losses)) .....				
10.2	Net deferred tax liability .....				
11.	Ceded reinsurance premiums payable .....				
12.	Amounts withheld or retained for the account of others .....				
13.	Remittances and items not allocated .....				
14.	Borrowed money (including \$.....0 current) and interest thereon \$.....0 (including \$.....0 current) .....				
15.	Amounts due to parent, subsidiaries and affiliates .....				
16.	Payable for securities .....				
17.	Funds held under reinsurance treaties with (\$.....0 authorized reinsurers and \$.....0 unauthorized reinsurers) .....				
18.	Reinsurance in unauthorized companies .....				
19.	Net adjustments in assets and liabilities due to foreign exchange rates .....				
20.	Liability for amounts held under uninsured plans .....				
21.	Aggregate write-ins for other liabilities (including \$.....0 current) .....	65,207		65,207	5,000
22.	Total liabilities (Lines 1 to 21) .....	4,187,454		4,187,454	1,743,435
23.	Aggregate write-ins for special surplus funds .....	X X X	X X X		
24.	Common capital stock .....	X X X	X X X		
25.	Preferred capital stock .....	X X X	X X X		
26.	Gross paid in and contributed surplus .....	X X X	X X X		
27.	Surplus notes .....	X X X	X X X		
28.	Aggregate write-ins for other than special surplus funds .....	X X X	X X X		
29.	Unassigned funds (surplus) .....	X X X	X X X	4,200,819	2,608,228
30.	Less treasury stock, at cost:				
30.1	.....0 shares common (value included in Line 24 \$.....0) .....	X X X	X X X		
30.2	.....0 shares preferred (value included in Line 25 \$.....0) .....	X X X	X X X		
31.	Total capital and surplus (Lines 23 to 29 minus Line 30) .....	X X X	X X X	4,200,819	2,608,228
32.	Total Liabilities, capital and surplus (Lines 22 and 31) .....	X X X	X X X	8,388,273	4,351,663
DETAILS OF WRITE-INS					
2101.	Accrued Other .....	65,207		65,207	5,000
2102.	.....				
2103.	.....				
2198.	Summary of remaining write-ins for Line 21 from overflow page .....				
2199.	TOTALS (Lines 2101 through 2103 plus 2198) (Line 21 above) .....	65,207		65,207	5,000
2301.	.....	X X X	X X X		
2302.	.....	X X X	X X X		
2303.	.....	X X X	X X X		
2398.	Summary of remaining write-ins for Line 23 from overflow page .....	X X X	X X X		
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above) .....	X X X	X X X		
2801.	.....	X X X	X X X		
2802.	.....	X X X	X X X		
2803.	.....	X X X	X X X		
2898.	Summary of remaining write-ins for Line 28 from overflow page .....	X X X	X X X		
2899.	TOTALS (Lines 2801 through 2803 plus 2898) (Line 28 above) .....	X X X	X X X		

STATEMENT OF REVENUE AND EXPENSES

		Current Year		Prior Year
		1 Uncovered	2 Total	3 Total
1.	Member Months .....	X X X .....	114,179	19,150
2.	Net premium income (including \$.....0 non-health premium income) .....	X X X .....	24,728,231	4,292,373
3.	Change in unearned premium reserves and reserve for rate credits .....	X X X .....		
4.	Fee-for-service (net of \$.....0 medical expenses) .....	X X X .....		
5.	Risk revenue .....	X X X .....		
6.	Aggregate write-ins for other health care related revenues .....	X X X .....		
7.	Aggregate write-ins for other non-health revenues .....	X X X .....		
8.	Total revenues (Lines 2 to 7) .....	X X X .....	24,728,231	4,292,373
Hospital and Medical:				
9.	Hospital/medical benefits .....		13,949,012	2,484,842
10.	Other professional services .....		801,946	67,004
11.	Outside referrals .....			
12.	Emergency room and out-of-area .....		1,174,652	86,416
13.	Prescription drugs .....		2,556,674	446,302
14.	Aggregate write-ins for other hospital and medical .....		327,463	5,094
15.	Incentive pool, withhold adjustments and bonus amounts .....		142,042	77,312
16.	Subtotal (Lines 9 to 15) .....		18,951,789	3,166,970
Less:				
17.	Net reinsurance recoveries .....			
18.	Total hospital and medical (Lines 16 minus 17) .....		18,951,789	3,166,970
19.	Non-health claims (net) .....			
20.	Claims adjustment expenses, including \$.....0 cost containment expenses .....		464,376	66,335
21.	General administrative expenses .....		3,802,636	83,438
22.	Increase in reserves for life and accident and health contracts (including \$.....0 increase in reserves for life only) .....			
23.	Total underwriting deductions (Lines 18 through 22) .....		23,218,801	3,316,743
24.	Net underwriting gain or (loss) (Lines 8 minus 23) .....	X X X .....	1,509,430	975,630
25.	Net investment income earned (Exhibit of Net Investment Income, Line 17) .....		51,797	14,093
26.	Net realized capital gains (losses) less capital gains tax of \$.....0 .....			
27.	Net investment gains (losses) (Lines 25 plus 26) .....		51,797	14,093
28.	Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....0) (amount charged off \$.....0)] .....			
29.	Aggregate write-ins for other income or expenses .....	750	750	
30.	Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29) .....	X X X .....	1,561,977	989,723
31.	Federal and foreign income taxes incurred .....	X X X .....		
32.	Net income (loss) (Lines 30 minus 31) .....	X X X .....	1,561,977	989,723
DETAILS OF WRITE-INS				
0601.	.....	X X X .....		
0602.	.....	X X X .....		
0603.	.....	X X X .....		
0698.	Summary of remaining write-ins for Line 6 from overflow page .....	X X X .....		
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above) .....	X X X .....		
0701.	.....	X X X .....		
0702.	.....	X X X .....		
0703.	.....	X X X .....		
0798.	Summary of remaining write-ins for Line 7 from overflow page .....	X X X .....		
0799.	TOTALS (Line 0701 through 0703 plus 0798) (Line 7 above) .....	X X X .....		
1401.	Other Expense .....		327,463	5,094
1402.	.....			
1403.	.....			
1498.	Summary of remaining write-ins for Line 14 from overflow page .....			
1499.	TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above) .....		327,463	5,094
2901.	Miscellaneous Revenue .....	750	750	
2902.	.....			
2903.	.....			
2998.	Summary of remaining write-ins for Line 29 from overflow page .....			
2999.	TOTALS (Line 2901 through 2903 plus 2998) (Line 29 above) .....	750	750	

STATEMENT OF REVENUE AND EXPENSES (Continued)

		1	2
		Current Year	Prior Year
CAPITAL & SURPLUS ACCOUNT			
33.	Capital and surplus prior reporting year .....	2,608,228	221,402
34.	Net income or (loss) from Line 32 .....	1,561,977	989,723
35.	Change in valuation basis of aggregate policy and claim reserves .....		
36.	Change in net unrealized capital gains (losses) less capital gains tax of \$.....0 .....		
37.	Change in net unrealized foreign exchange capital gain or (loss) .....		
38.	Change in net deferred income tax .....		
39.	Change in nonadmitted assets .....	30,614	(102,897)
40.	Change in unauthorized reinsurance .....		
41.	Change in treasury stock .....		
42.	Change in surplus notes .....		
43.	Cumulative effect of changes in accounting principles .....		
44.	Capital Changes:		
44.1	Paid in .....		1,500,000
44.2	Transferred from surplus (Stock Dividend) .....		
44.3	Transferred to surplus .....		
45.	Surplus adjustments:		
45.1	Paid in .....		
45.2	Transferred to capital (Stock Dividend) .....		
45.3	Transferred from capital .....		
46.	Dividends to stockholders .....		
47.	Aggregate write-ins for gains or (losses) in surplus .....		
48.	Net change in capital and surplus (Lines 34 to 47) .....	1,592,591	2,386,826
49.	Capital and surplus end of reporting year (Line 33 plus 48) .....	4,200,819	2,608,228
DETAILS OF WRITE-INS			
4701.	.....		
4702.	.....		
4703.	.....		
4798.	Summary of remaining write-ins for Line 47 from overflow page .....		
4799.	TOTALS (Lines 4701 through 4703 plus 4798) (Line 47 above) .....		

CASH FLOW

		1	2
		Current Year	Prior Year
Cash from Operations			
1.	Premiums collected net of reinsurance .....	25,185,573	3,374,711
2.	Net investment income .....	43,549	10,756
3.	Miscellaneous income .....	(128,194)	
4.	Total (Lines 1 through 3) .....	25,100,928	3,385,467
5.	Benefit and loss related payments .....	17,033,804	1,691,431
6.	Net transfers to Separate, Segregated Accounts and Protected Cell Accounts .....		
7.	Commissions, expenses paid and aggregate write-ins for deductions .....	4,217,119	128,121
8.	Dividends paid to policyholders .....		
9.	Federal and foreign income taxes paid (recovered) \$.....0 net of tax on capital gains (losses) .....		
10.	Total (Lines 5 through 9) .....	21,250,923	1,819,552
11.	Net cash from operations (Line 4 minus 10) .....	3,850,005	1,565,915
Cash from Investments			
12.	Proceeds from investments sold, matured or repaid:		
12.1	Bonds .....	80,000	
12.2	Stocks .....		
12.3	Mortgage loans .....		
12.4	Real estate .....		
12.5	Other invested assets .....		
12.6	Net gains or (losses) on cash, cash equivalents and short-term investments .....		
12.7	Miscellaneous proceeds .....		
12.8	Total investment proceeds (Lines 12.1 to 12.7) .....	80,000	
13.	Cost of investments acquired (long-term only):		
13.1	Bonds .....	200,000	315,000
13.2	Stocks .....		
13.3	Mortgage loans .....		
13.4	Real estate .....		
13.5	Other invested assets .....		
13.6	Miscellaneous applications .....		
13.7	Total investments acquired (Lines 13.1 to 13.6) .....	200,000	315,000
14.	Net increase (decrease) in contract loans and premium notes .....		
15.	Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14) .....	(120,000)	(315,000)
Cash from Financing and Miscellaneous Sources			
16.	Cash provided (applied):		
16.1	Surplus notes, capital notes .....		
16.2	Capital and paid in surplus, less treasury stock .....		1,500,000
16.3	Borrowed funds .....		
16.4	Net deposits on deposit-type contracts and other insurance liabilities .....		
16.5	Dividends to stockholders .....		
16.6	Other cash provided (applied) .....	(13,132)	(97,897)
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6) .....	(13,132)	1,402,103
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS			
18.	Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) .....	3,716,873	2,653,018
19.	Cash, cash equivalents and short-term investments:		
19.1	Beginning of year .....	2,874,420	221,402
19.2	End of year (Line 18 plus Line 19.1) .....	6,591,293	2,874,420

Supplemental Disclosures of Cash Flow Information for Non-Cash Transactions:

20.0001			
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UNDERWRITING AND INVESTMENT EXHIBIT  
PART 1 - PREMIUMS

Line of Business		1	2	3	4
		Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Columns 1 + 2 - 3)
1.	Comprehensive (hospital and medical) .....	24,832,484		104,253	24,728,231
2.	Medicare Supplement .....				
3.	Dental only .....				
4.	Vision only .....				
5.	Federal Employees Health Benefits Plan .....				
6.	Title XVIII - Medicare .....				
7.	Title XIX - Medicaid .....				
8.	Stop loss .....				
9.	Disability income .....				
10.	Long-term care .....				
11.	Other health .....				
12.	Health subtotal (Lines 1 through 11) .....	24,832,484		104,253	24,728,231
13.	Life .....				
14.	Property/casualty .....				
15.	TOTALS (Lines 12 to 14) .....	24,832,484		104,253	24,728,231

UNDERWRITING AND INVESTMENT EXHIBIT  
PART 2 - CLAIMS INCURRED DURING THE YEAR

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other Health	Other Non-Health
1. Payments during the year:													
1.1 Direct .....	17,156,395	17,156,395											
1.2 Reinsurance assumed .....													
1.3 Reinsurance ceded .....													
1.4 Net .....	17,156,395	17,156,395											
2. Paid medical incentive pools and bonuses .....	6,353	6,353											
3. Claim liability December 31, current year from Part 2A:													
3.1 Direct .....	3,180,523	3,180,523											
3.2 Reinsurance assumed .....													
3.3 Reinsurance ceded .....													
3.4 Net .....	3,180,523	3,180,523											
4. Claim reserve December 31, current year from Part 2D:													
4.1 Direct .....													
4.2 Reinsurance assumed .....													
4.3 Reinsurance ceded .....													
4.4 Net .....													
5. Accrued medical incentive pools and bonuses, current year .....	213,001	213,001											
6. Net healthcare receivables (a) .....	128,944	128,944											
7. Amounts recoverable from reinsurers December 31, current year .....													
8. Claim liability December 31, prior year from Part 2A:													
8.1 Direct .....	1,398,227	1,398,227											
8.2 Reinsurance assumed .....													
8.3 Reinsurance ceded .....													
8.4 Net .....	1,398,227	1,398,227											
9. Claim reserve December 31, prior year from Part 2D:													
9.1 Direct .....													
9.2 Reinsurance assumed .....													
9.3 Reinsurance ceded .....													
9.4 Net .....													
10. Accrued medical incentive pools and bonuses, prior year .....	77,312	77,312											
11. Amounts recoverable from reinsurers December 31, prior year .....													
12. Incurred benefits:													
12.1 Direct .....	18,809,747	18,809,747											
12.2 Reinsurance assumed .....													
12.3 Reinsurance ceded .....													
12.4 Net .....	18,809,747	18,809,747											
13. Incurred medical incentive pools and bonuses .....	142,042	142,042											

(a) Excludes \$.00 loans or advances to providers not yet expensed.



UNDERWRITING AND INVESTMENT EXHIBIT  
PART 2B - ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE

		Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
		1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year	Claims Incurred in Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
Line of Business							
1.	Comprehensive (hospital and medical) .....	1,424,472	15,602,979	25,000	3,155,523	1,449,472	1,398,227
2.	Medicare Supplement .....						
3.	Dental only .....						
4.	Vision only .....						
5.	Federal Employees Health Benefits Plan .....						
6.	Title XVIII - Medicare .....						
7.	Title XIX - Medicaid .....						
8.	Other health .....						
9.	Health subtotal (Lines 1 to 8) .....	1,424,472	15,602,979	25,000	3,155,523	1,449,472	1,398,227
10.	Healthcare receivables (a) .....						
11.	Other non-health .....						
12.	Medical incentive pool and bonus amounts .....	6,353			213,001	6,353	77,312
13.	TOTALS (Lines 9 - 10 + 11 + 12) .....	1,430,825	15,602,979	25,000	3,368,524	1,455,825	1,475,539

(a) Excludes \$.00 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT  
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)

Grand Total

Section A - Paid Health Claims

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2002	2 2003	3 2004	4 2005	5 2006
1.	Prior .....	.....	.....	.....	.....	.....
2.	2002 .....	.....	.....	.....	.....	.....
3.	2003 .....	X X X .....	.....	.....	.....	.....
4.	2004 .....	X X X .....	X X X .....	.....	.....	.....
5.	2005 .....	X X X .....	X X X .....	X X X .....	1,691 .....	3,116 .....
6.	2006 .....	X X X .....	X X X .....	X X X .....	X X X .....	15,306 .....

Section B - Incurred Health Claims

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2002	2 2003	3 2004	4 2005	5 2006
1.	Prior .....	.....	.....	.....	.....	.....
2.	2002 .....	.....	.....	.....	.....	.....
3.	2003 .....	X X X .....	.....	.....	.....	.....
4.	2004 .....	X X X .....	X X X .....	.....	.....	.....
5.	2005 .....	X X X .....	X X X .....	X X X .....	3,167 .....	3,141 .....
6.	2006 .....	X X X .....	X X X .....	X X X .....	X X X .....	18,972 .....

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred		1  Premiums Earned	2  Claims Payments	3  Claim Adjustment Expense Payments	4  (Col. 3/2) Percent	5  Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6  (Col. 5/1) Percent	7  Claims Unpaid	8  Unpaid Claims Adjustment Expenses	9  Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10  (Col. 9/1) Percent
1.	2002 .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
2.	2003 .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
3.	2004 .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
4.	2005 .....	4,292 .....	3,116 .....	.....	.....	3,116 .....	72.600 .....	25 .....	2 .....	3,143 .....	73.229 .....
5.	2006 .....	24,728 .....	15,306 .....	.....	.....	15,306 .....	61.897 .....	3,666 .....	69 .....	19,041 .....	77.002 .....

12 Total

UNDERWRITING AND INVESTMENT EXHIBIT  
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)

Hospital and Medical  
Section A - Paid Health Claims

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2002	2 2003	3 2004	4 2005	5 2006
1.	Prior .....	.....	.....	.....	.....	.....
2.	2002 .....	.....	.....	.....	.....	.....
3.	2003 .....	X X X .....	.....	.....	.....	.....
4.	2004 .....	X X X .....	X X X .....	.....	.....	.....
5.	2005 .....	X X X .....	X X X .....	X X X .....	1,691 .....	3,116 .....
6.	2006 .....	X X X .....	X X X .....	X X X .....	X X X .....	15,306 .....

Section B - Incurred Health Claims

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2002	2 2003	3 2004	4 2005	5 2006
1.	Prior .....	.....	.....	.....	.....	.....
2.	2002 .....	.....	.....	.....	.....	.....
3.	2003 .....	X X X .....	.....	.....	.....	.....
4.	2004 .....	X X X .....	X X X .....	.....	.....	.....
5.	2005 .....	X X X .....	X X X .....	X X X .....	3,167 .....	3,141 .....
6.	2006 .....	X X X .....	X X X .....	X X X .....	X X X .....	18,972 .....

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred		1  Premiums Earned	2  Claims Payments	3  Claim Adjustment Expense Payments	4  (Col. 3/2) Percent	5  Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6  (Col. 5/1) Percent	7  Claims Unpaid	8  Unpaid Claims Adjustment Expenses	9  Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10  (Col. 9/1) Percent
1.	2002 .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
2.	2003 .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
3.	2004 .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
4.	2005 .....	4,292 .....	3,141 .....	1,737 .....	55.301 .....	4,878 .....	113.653 .....	20 .....	2 .....	4,900 .....	114.166 .....
5.	2006 .....	24,728 .....	18,972 .....	418 .....	2.203 .....	19,390 .....	78.413 .....	3,369 .....	69 .....	22,828 .....	92.316 .....

12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Medicare Supplement . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Medicare Supplement . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Medicare Supplement . .	NONE
12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Dental Only . . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Dental Only . . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Dental Only . . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Vision Only . . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Vision Only . . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Vision Only . . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Fed Emp HBPP . . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Fed Emp HBPP . . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Fed Emp HBPP . . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Title XVIII-Medicare . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Title XVIII-Medicare . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Title XVIII-Medicare . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Title XIX-Medicaid . . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Title XIX-Medicaid . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Title XIX-Medicaid . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Other . . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur Claims - Other . . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Other . . . . .	NONE

UNDERWRITING AND INVESTMENT EXHIBIT  
PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

	1	2	3	4	5	6	7	8	9	10	11	12
	Total	Compre- hensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other
1. Unearned premium reserves .....												
2. Additional policy reserves (a) .....												
3. Reserve for future contingent benefits .....												
4. Reserve for rate credits or experience rating refunds (including \$.....0) for investment income .....												
5. Aggregate write-ins for other policy reserves .....												
6. Totals (gross) .....												
7. Reinsurance ceded .....												
8. Totals (Net) (Page 3, Line 4) .....												
9. Present value of amounts not yet due on claims .....												
10. Reserve for future contingent benefits .....												
11. Aggregate write-ins for other claim reserves .....												
12. Totals (gross) .....												
13. Reinsurance ceded .....												
14. Totals (Net) (Page 3, Line 7) .....												
DETAILS OF WRITE-INS												
0501. ....												
0502. ....												
0503. ....												
0598. Summary of remaining write-ins for Line 5 from overflow page .....												
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above) .....												
1101. ....												
1102. ....												
1103. ....												
1198. Summary of remaining write-ins for Line 11 from overflow page .....												
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above) .....												

(a) Includes \$.....0 premium deficiency reserve.

UNDERWRITING AND INVESTMENT EXHIBIT  
PART 3 - ANALYSIS OF EXPENSES

		Claim Adjustment Expenses		3 General Administrative Expenses	4 Investment Expenses	5 Total
		1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1.	Rent (\$.....0 for occupancy of own building) .....	.....	.....	36,892	.....	36,892
2.	Salaries, wages and other benefits .....	464,376	.....	722,430	.....	1,186,806
3.	Commissions (less \$.....0 ceded plus \$.....0 assumed) .....	.....	.....	774,251	.....	774,251
4.	Legal fees and expenses .....	.....	.....	5,552	.....	5,552
5.	Certifications and accreditation fees .....	.....	.....	67,029	.....	67,029
6.	Auditing, actuarial and other consulting services .....	.....	.....	67,030	.....	67,030
7.	Traveling expenses .....	.....	.....	59,582	.....	59,582
8.	Marketing and advertising .....	.....	.....	1,330,923	.....	1,330,923
9.	Postage, express and telephone .....	.....	.....	111,716	.....	111,716
10.	Printing and office supplies .....	.....	.....	67,030	.....	67,030
11.	Occupancy, depreciation and amortization .....	.....	.....	134,059	.....	134,059
12.	Equipment .....	.....	.....	37,239	.....	37,239
13.	Cost or depreciation of EDP equipment and software .....	.....	.....	.....	.....	.....
14.	Outsourced services including EDP, claims, and other services .....	.....	.....	104,196	.....	104,196
15.	Boards, bureaus and association fees .....	.....	.....	14,895	.....	14,895
16.	Insurance, except on real estate .....	.....	.....	135,753	.....	135,753
17.	Collection and bank service charges .....	.....	.....	14,895	.....	14,895
18.	Group service and administration fees .....	.....	.....	.....	.....	.....
19.	Reimbursements by uninsured plans .....	.....	.....	.....	.....	.....
20.	Reimbursements from fiscal intermediaries .....	.....	.....	.....	.....	.....
21.	Real estate expenses .....	.....	.....	.....	.....	.....
22.	Real estate taxes .....	.....	.....	.....	.....	.....
23.	Taxes, licenses and fees:	.....	.....	.....	.....	.....
23.1	State and local insurance taxes .....	.....	.....	.....	.....	.....
23.2	State premium taxes .....	.....	.....	.....	.....	.....
23.3	Regulator authority licenses and fees .....	.....	.....	.....	.....	.....
23.4	Payroll taxes .....	.....	.....	29,791	.....	29,791
23.5	Other (excluding federal income and real estate taxes) .....	.....	.....	.....	.....	.....
24.	Investment expenses not included elsewhere .....	.....	.....	.....	.....	.....
25.	Aggregate write-ins for expenses .....	.....	.....	89,373	.....	89,373
26.	Total expenses incurred (Lines 1 to 25) .....	464,376	.....	3,802,636	.....	(a) 4,267,012
27.	Less expenses unpaid December 31, current year .....	.....	.....	.....	.....	.....
28.	Add expenses unpaid December 31, prior year .....	.....	.....	.....	.....	.....
29.	Amounts receivable relating to uninsured plans, prior year .....	.....	.....	.....	.....	.....
30.	Amounts receivable relating to uninsured plans, current year .....	.....	.....	.....	.....	.....
31.	Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30) ..	464,376	.....	3,802,636	.....	4,267,012
DETAILS OF WRITE-INS						
2501.	Office Supplies .....	.....	.....	89,373	.....	89,373
2502.	.....	.....	.....	.....	.....	.....
2503.	.....	.....	.....	.....	.....	.....
2598.	Summary of remaining write-ins for Line 25 from overflow page .....	.....	.....	.....	.....	.....
2599.	Totals (Lines 2501 through 2503 + 2598) (Line 25 above) .....	.....	.....	89,373	.....	89,373

(a) Includes management fees of \$.....0 to affiliates and \$.....3,431,485 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1	2
		Collected During Year	Earned During Year
1.	U.S. Government bonds .....	(a).....	
1.1	Bonds exempt from U.S. tax .....	(a).....	
1.2	Other bonds (unaffiliated) .....	(a).....	
1.3	Bonds of affiliates .....	(a).....	
2.1	Preferred stocks (unaffiliated) .....	(b).....	
2.11	Preferred stocks of affiliates .....	(b).....	
2.2	Common stocks (unaffiliated) .....		
2.21	Common stocks of affiliates .....		
3.	Mortgage loans .....	(c).....	
4.	Real estate .....	(d).....	
5.	Contract loans .....		
6.	Cash, cash equivalents and short-term investments .....	(e)..... 43,290	51,797
7.	Derivative instruments .....	(f).....	
8.	Other invested assets .....		
9.	Aggregate write-ins for investment income .....		
10.	Total gross investment income .....	43,290	51,797
11.	Investment expenses .....		(g).....
12.	Investment taxes, licenses and fees, excluding federal income taxes .....		(g).....
13.	Interest expense .....		(h).....
14.	Depreciation on real estate and other invested assets .....		(i).....
15.	Aggregate write-ins for deductions from investment income .....		
16.	Total deductions (Lines 11 through 15) .....		
17.	Net Investment income (Line 10 minus Line 16) .....		51,797
DETAILS OF WRITE-INS			
0901.	.....	.....	.....
0902.	.....	.....	.....
0903.	.....	.....	.....
0998.	Summary of remaining write-ins for Line 9 from overflow page .....	.....	.....
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above) .....	.....	.....
1501.	.....		
1502.	.....		
1503.	.....		
1598.	Summary of remaining write-ins for Line 15 from overflow page .....		
1599.	TOTALS (Lines 1501 through 1503 plus 1598) (Line 15, above) .....		
(a) Includes \$.0 accrual of discount less \$.0 amortization of premium and less \$.0 paid for accrued interest on purchases.			
(b) Includes \$.0 accrual of discount less \$.0 amortization of premium and less \$.0 paid for accrued dividends on purchases.			
(c) Includes \$.0 accrual of discount less \$.0 amortization of premium and less \$.0 paid for accrued interest on purchases.			
(d) Includes \$.0 for company's occupancy of its own buildings; and excludes \$.0 interest on encumbrances.			
(e) Includes \$.0 accrual of discount less \$.0 amortization of premium and less \$.0 paid for accrued interest on purchases.			
(f) Includes \$.0 accrual of discount less \$.0 amortization of premium.			
(g) Includes \$.0 investment expenses and \$.0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.			
(h) Includes \$.0 interest on surplus notes and \$.0 interest on capital notes.			
(i) Includes \$.0 depreciation on real estate and \$.0 depreciation on other invested assets.			

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1	2	3	4
		Realized Gain (Loss) on Sales or Maturity	Other Realized Adjustments	Unrealized Increases (Decreases) by Adjustment	Total
1.	U.S. Government bonds .....				
1.1	Bonds exempt from U.S. tax .....				
1.2	Other bonds (unaffiliated) .....				
1.3	Bonds of affiliates .....				
2.1	Preferred stocks (unaffiliated) .....				
2.11	Preferred stocks of affiliates .....				
2.2	Common stocks (unaffiliated) .....				
2.21	Common stocks of affiliates .....				
3.	Mortgage loans .....				
4.	Real estate .....				
5.	Contract loans .....				
6.	Cash, cash equivalents and short-term investments .....				
7.	Derivative instruments .....				
8.	Other invested assets .....				
9.	Aggregate write-ins for capital gains (losses) .....				
10.	Total capital gains (losses) .....				
DETAILS OF WRITE-INS					
0901.	.....	.....	.....	.....	.....
0902.	.....	.....	.....	.....	.....
0903.	.....	.....	.....	.....	.....
0998.	Summary of remaining write-ins for Line 9 from overflow page .....	.....	.....	.....	.....
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above) .....	.....	.....	.....	.....

EXHIBIT OF NONADMITTED ASSETS

		1	2	3
		Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1.	Bonds (Schedule D) .....			
2.	Stocks (Schedule D):			
2.1	Preferred stocks .....			
2.2	Common stocks .....			
3.	Mortgage loans on real estate (Schedule B):			
3.1	First liens .....			
3.2	Other than first liens .....			
4.	Real estate (Schedule A):			
4.1	Properties occupied by the company .....			
4.2	Properties occupied for the production of income .....			
4.3	Properties held for sale .....			
5.	Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA) .....			
6.	Contract loans .....			
7.	Other invested assets (Schedule BA) .....			
8.	Receivables for securities .....			
9.	Aggregate write-ins for invested assets .....			
10.	Subtotals, cash and invested assets (Lines 1 to 9) .....			
11.	Title plants (for Title insurers only) .....			
12.	Invested income due and accrued .....			
13.	Premium and considerations:			
13.1	Uncollected premiums and agents' balances in the course of collection .....	42,283		(42,283)
13.2	Deferred premiums, agents' balances and installments booked but deferred and not yet due .....			
13.3	Accrued retrospective premiums .....			
14.	Reinsurance:			
14.1	Amounts recoverable from reinsurers .....			
14.2	Funds held by or deposited with reinsured companies .....			
14.3	Other amounts receivable under reinsurance contracts .....			
15.	Amounts receivable relating to uninsured plans .....			
16.1	Current federal and foreign income tax recoverable and interest thereon .....			
16.2	Net deferred tax asset .....			
17.	Guaranty funds receivable or on deposit .....			
18.	Electronic data processing equipment and software .....			
19.	Furniture and equipment, including health care delivery assets .....			
20.	Net adjustment in assets and liabilities due to foreign exchange rates .....			
21.	Receivables from parent, subsidiaries and affiliates .....			
22.	Health care and other amounts receivable .....			
23.	Aggregate write-ins for other than invested assets .....	30,000	102,897	72,897
24.	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23) .....	72,283	102,897	30,614
25.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....			
26.	Total (Lines 24 and 25) .....	72,283	102,897	30,614
DETAILS OF WRITE-INS				
0901.	.....			
0902.	.....			
0903.	.....			
0998.	Summary of remaining write-ins for Line 9 from overflow page .....			
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above) .....			
2301.	Other Receivable .....	30,000	102,897	72,897
2302.	.....			
2303.	.....			
2398.	Summary of remaining write-ins for Line 23 from overflow page .....			
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above) .....	30,000	102,897	72,897

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment		Total Members at End of					6
		1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	Current Year Member Months
1.	Health Maintenance Organizations .....	9,152	9,491	9,781	9,532	9,567	114,179
2.	Provider Service Organizations .....						
3.	Preferred Provider Organizations .....						
4.	Point of Service .....						
5.	Indemnity Only .....						
6.	Aggregate write-ins for other lines of business .....						
7.	TOTAL .....	9,152	9,491	9,781	9,532	9,567	114,179
DETAILS OF WRITE-INS							
0601.	.....						
0602.	.....						
0603.	.....						
0698.	Summary of remaining write-ins for Line 6 from overflow page .....						
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above) .....						

## Notes to Financial Statement

### Note 1 – Nature of Business and Significant Accounting Policies

Total Health Care USA, Inc. (the "Company"), a not-for-profit corporation and wholly owned subsidiary of Total Health Care, Inc., operates as a state-licensed health maintenance organization (HMO) effective October 2005. The Company provides medical services to persons primarily in southeastern Michigan who subscribe as part of an employer group or as individuals.

**Statutory Basis of Accounting** – The financial statements have been prepared in accordance with the NAIC Accounting Practices and Procedures manual and the statutory accounting principles as prescribed by Section 1007 of the Michigan statutes. Statutory accounting principles differ from generally accepted accounting principles (GAAP) in their definition of assets and liabilities. Specifically, certain assets (such as certain receivables from affiliates) are excluded from the statutory-basis balance sheet. GAAP net assets exceed statutory net assets by approximately \$72,000 and \$103,000 at December 31, 2006 and 2005, respectively. There are no significant differences between statutory accounting principles prescribed by NAIC and the State of Michigan accounting requirements that are applicable to the Company.

**Cash and Short-term Investments** – The Company considers all highly liquid investments purchased with an original maturity of three months or less when purchased to be cash equivalents. Certificates of deposit in banks or other similar financial institutions with maturity dates of one year or less from the acquisition date are considered cash under statutory accounting principles.

**Investments** – Short-term investments and long-term certificates of deposit are recorded at amortized cost, which approximates fair market value. Long-term certificates of deposit are classified as bonds on the balance sheet per statutory guidance. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in net investment income on the statement of operations. Changes in unrealized gains and losses on investments are included as a direct adjustment to capital and surplus.

**Revenue Recognition and Health Premiums Due and Unpaid** – Subscriber premiums are recognized in the period that members are entitled to related health care services. A substantial portion of health premiums due and unpaid is due from third-party payors for subscribers located within southeastern Michigan. Health premiums due and unpaid are stated at invoice amounts. Unpaid invoices greater than 90 days old are treated as nonadmitted for statutory accounting purposes.

## Notes to Financial Statement

**Recognition of Medical and Hospital Expenses** – Medical and hospital expenses and the related liabilities are recorded when eligible medical and hospital services are authorized or performed. Claims unpaid represent management's estimate of the ultimate cost to settle all claims incurred prior to year end. Capitation retained for the settlement of risk-sharing is included in the accrued medical incentive pool liability at December 31, 2006 and 2005.

**Physician Group Contracts** – The Company contracts with physician groups for the provision of medical care and compensates the groups on a capitation basis. A portion of the capitation payments is retained for payment of specialty claims, pharmacy incentives, hospital incentives, and settlement of risk-sharing agreements with each of the physician groups. These retentions are included in the accrued medical incentive pool liability at December 31, 2006 and 2005. Any specialty claims paid in excess of withheld amounts are included in accounts receivable to the extent deemed collectible by management.

**Hospital Group Contracts** – The Company contracts with several hospital and other groups. These contracts are paid under capitated fees or various other charge arrangements.

**Malpractice Claims** – The Company has a claims-made policy for malpractice insurance. The Company's policy is to accrue for estimated costs of claims and incidents during the term of the claims-made policy.

**Employee Staffing and Purchased Services Agreement** – The Company has an employee staffing and purchased services agreement with Total Health Care, Inc., its parent company, which is responsible for payment of most of the management, operational, and administrative expenses. Ultimate operational control rests with the board of directors of Total Health Care USA, Inc.

**Income Taxes** – Total Health Care USA, Inc. has received federal income tax exemption under Internal Revenue Code Section 501(c)(4). The Company is also exempt from state and local income taxes.

**Funds Maintained Under Statutory Requirements** – The Company maintains segregated funds under statutory requirements to protect members and health care providers in the event the Company is unable to meet its contractual obligations. These funds can be issued only at the direction of the insurance commissioner in accordance with statutory and contractual provisions. Interest earned on these funds can be utilized by the Company. At December 31, 2006 \$1,001,796 was held in a combination of cash, short-term investments, and bonds to fulfill these requirements. At December 31, 2005 \$315,000 was held in bonds to fulfill these requirements.

## **Notes to Financial Statement**

**Use of Estimates** – The preparation of financial statements in conformity with statutory accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Certain significant estimates exist relating to unpaid claims. It is at least reasonably possible that these estimates will be materially revised in the near term.

### **Note 2 – Accounting Changes and Corrections of Errors**

The Company prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by the State of Michigan. Effective January 1, 2003, the State of Michigan required that health maintenance organizations domiciled in the state of Michigan prepare their statutory basis financial statements in accordance with the NAIC Accounting Practices and Procedures manual in effect on January 1, 2003 subject to any deviations prescribed or permitted by the State of Michigan insurance commissioner. There was no impact on the 2006 statutory financial statements as a result of the accounting changes.

### **Note 3 – Business Combinations and Goodwill**

This note is not applicable to the Company.

### **Note 4 – Discontinued Operations**

This note is not applicable to the Company.

### **Note 5 – Investments**

The Company does not have investments relating to mortgage loans, debt restructuring, reverse mortgages, loan-backed securities, repurchase agreement, or real estate.

### **Note 6 – Joint Ventures, Partnerships and Limited Liability Companies**

The Company has no investments in joint ventures, partnerships, or limited liability companies.

### **Note 7 – Investment Income**

The Company has no investment income due and accrued over 90 days past due.

### **Note 8 – Derivative Instruments**

The Company does not invest in derivatives.

### **Note 9 – Income Taxes**

This note is not applicable to the Company.

## **Notes to Financial Statement**

### **Note 10 – Information Concerning Parent, Subsidiaries, and Affiliates**

The Company is a wholly owned subsidiary of Total Health Care, Inc., the parent company.

During 2005, the Company's parent, Total Health Care, Inc. made a capital contribution of \$1,500,000 to the Company.

During 2005, the Company entered into an employee, office space, and equipment leasing agreement with Total Health Care, Inc. The agreement calls for Total Health Care, Inc. to provide personnel, office space, and supplies necessary to the Company in order for the Company to carry out its HMO business operations. The agreement calls for the Company to pay Total Health Care, Inc. 14 percent of the Company's gross revenue from the second preceding month after certain deductions. During 2006 and 2005, the Company paid \$3,431,485 and \$18,861, respectively, related to this agreement.

### **Note 11 – Debt**

This note is not applicable to the Company.

### **Note 12 – Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences, and Other Postretirement Benefit Plans**

This note is not applicable to the Company.

### **Note 13 – Capital and Surplus, Stockholders' Dividend Restrictions, and Quasi-reorganizations**

The portion of unassigned funds (surplus) represented or reduced by the change in nonadmitted asset values is \$30,616 and \$(102,897) at December 31, 2006 and 2005, respectively.

### **Note 14 – Contingencies**

The Company does not have any lawsuits outstanding; therefore, no amounts have been accrued for losses.

### **Note 15 – Leases**

This note is not applicable to the Company.

### **Note 16 – Information about Financial Instruments with Off-balance-sheet Risk and Financial Instruments with Concentrations of Credit Risk**

This note is not applicable to the Company.

### **Note 17 – Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities**

This note is not applicable to the Company.

### **Note 18 – Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans**

This note is not applicable to the Company.

### **Note 19 – Direct Premium Written/Produced by Managing General**

## **Notes to Financial Statement**

### **Agents/Third-party Administrators**

This note is not applicable to the Company.

### **Note 20 – September 11 Events**

This note is not applicable to the Company.

### **Note 21 – Other Items**

At December 31, 2006 and 2005 the Company had admitted assets of \$1,350,395 and \$1,158,906, respectively, in health premiums due and unpaid for amounts due from subscribers, governmental entities, and other health care providers. The Company routinely assessed the collectibility of these receivables and directly wrote off any uncollectible receivables accordingly. Receivables greater than 90 days are considered nonadmitted for statutory purposes.

The Company did not have activity relating to extraordinary items, troubled debt restructuring, multiple peril crop insurance, or mezzanine real estate loans during 2006 and 2005.

### **Note 22 – Events Subsequent**

No unusual or material events have occurred subsequent to year end.

### **Note 23 – Reinsurance**

Total Health Care USA, Inc. maintains a reinsurance policy to provide coverage on an annual per member basis after a \$220,000 deductible is reached. The maximum lifetime reinsurance indemnity payable under each agreement is \$2,000,000 per member. The Company has reported premiums net of reinsurance ceded of \$104,253 and \$16,842 as of December 31, 2006 and 2005, respectively. There were no losses recovered by the Company during 2006 and 2005. There is no reinsurance recoverable at December 31, 2006 and 2005.

The Company does not have reinsurance assumed, uncollectible reinsurance, or retroactive reinsurance.

### **Note 24 – Retrospectively Rated Contracts and Contracts Subject to Redetermination**

This note is not applicable to the Company.

### **Note 25 – Change in Incurred Losses**

The estimated reserve for accrued health care costs payable, including known and unsettled claims, is determined by the Company. The method of making such estimates and for establishing the resulting reserves is continually reviewed and updated and any adjustments resulting therefrom are reflected in expense currently. The estimated reserve for claims incurred but not reported has been determined by an enrolled actuary.

Notes to Financial Statement

Although management believes that the provision for unpaid claims is adequate, no assurance can be given that the ultimate settlement of these liabilities may not be greater or less than such estimates. Any future adjustments to these amounts will affect the reported results of future periods.

Activity in the liability for claims unpaid, accrued medical incentive pools, and unpaid claims adjustment expense is summarized as follows:

	2006	2005
Balance – Beginning of year	\$ 1,497,191	\$ –
Incurred related to current year	18,971,503	3,188,622
Prior years	30,179	–
Paid related to current year	15,602,979	1,691,431
Prior years	<u>1,430,825</u>	<u>–</u>
Reserve for claims – End of year	<u>\$ 3,465,069</u>	<u>\$ 1,497,191</u>

The 2006 amounts incurred relating to prior years increased due to claims settling for more than originally estimated.

Note 26 – Intercompany Pooling Arrangements

This note is not applicable to the Company.

Note 27 – Structured Settlements

This note is not applicable to the Company.

Note 28 – Health Care Receivables

The Company reports risk-sharing receivables and payables related to global capitation and specialty withholding arrangements based upon the terms of its contracts.

There were no pharmaceutical rebate receivables at December 31, 2006 and 2005. Rebates are netted with pharmacy expense. During 2006 and 2005, pharmacy rebates in the amount of \$10,947 and \$0, respectively, were collected.

Health care receivables include the following amounts related to specialty pool receivables:

Calendar Year	Evaluation Period Year Ending	Risk Sharing Receivable as Estimated in the Prior Year	Risk Sharing Receivable as Estimated in the Current Year	Risk Sharing Revceivable Billed	Risk Sharing Receivable Not Yet Billed	Actual Risk Sharing Amounts Received in Year Billed	Actual Risk Sharing Amounts Received First Year Subsequent	Actual Risk Sharing Amounts Received Second Year Subsequent	Actual Risk Sharing Amounts Received – All Other
2006	2006	\$ –	\$ 128,944	\$ –	\$ 128,944	\$ –	\$ –	\$ –	\$ –
	2007	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –
2005	2005	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –
	2006	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –
2004	2004	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –
	2003	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –

Note 29 – Participating Policies

**Notes to Financial Statement**

This note is not applicable to the Company.

**Note 30 – Premium Deficiency Reserves**

This note is not applicable to the Company.

**Note 31 – Anticipated Salvage and Subrogation**

Loss reserves have not been reduced for any salvage or subrogation. During 2006 and 2005, the Company received subrogation totaling \$17 and \$0, respectively.

SUMMARY INVESTMENT SCHEDULE

Investment Categories		Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
		1 Amount	2 Percentage	3 Amount	4 Percentage
1.	Bonds:				
1.1	U.S. treasury securities .....	435,000	6.191	435,000	6.191
1.2	U.S. government agency obligations (excluding mortgage-backed securities):				
1.21	Issued by U.S. government agencies .....				
1.22	Issued by U.S. government sponsored agencies .....				
1.3	Foreign government (including Canada, excluding mortgage-backed securities) .....				
1.4	Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41	States, territories and possessions general obligations .....				
1.42	Political subdivisions of states, territories and possessions and political subdivisions general obligations .....				
1.43	Revenue and assessment obligations .....				
1.44	Industrial development and similar obligations .....				
1.5	Mortgage-backed securities (includes residential and commercial MBS):				
1.51	Pass-through securities:				
1.511	Issued or Guaranteed by GNMA .....				
1.512	Issued or Guaranteed by FNMA and FHLMC .....				
1.513	All other .....				
1.52	CMOs and REMICs:				
1.521	Issued or guaranteed by GNMA, FNMA, FHLMC or VA .....				
1.522	Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521 .....				
1.523	All other .....				
2.	Other debt and other fixed income securities (excluding short term):				
2.1	Unaffiliated domestic securities (includes credit tenant loans rated by the SVO) .....				
2.2	Unaffiliated foreign securities .....				
2.3	Affiliated securities .....				
3.	Equity interests:				
3.1	Investments in mutual funds .....				
3.2	Preferred stocks:				
3.21	Affiliated .....				
3.22	Unaffiliated .....				
3.3	Publicly traded equity securities (excluding preferred stocks):				
3.31	Affiliated .....				
3.32	Unaffiliated .....				
3.4	Other equity securities:				
3.41	Affiliated .....				
3.42	Unaffiliated .....				
3.5	Other equity interests including tangible personal property under lease:				
3.51	Affiliated .....				
3.52	Unaffiliated .....				
4.	Mortgage loans:				
4.1	Construction and land development .....				
4.2	Agricultural .....				
4.3	Single family residential properties .....				
4.4	Multifamily residential properties .....				
4.5	Commercial loans .....				
4.6	Mezzanine real estate loans .....				
5.	Real estate investments:				
5.1	Property occupied by company .....				
5.2	Property held for production of income (including \$......0 of property acquired in satisfaction of debt) .....				
5.3	Property held for sale (including \$......0 property acquired in satisfaction of debt) .....				
6.	Contract loans .....				
7.	Receivables for securities .....				
8.	Cash, cash equivalents and short-term investments .....	6,591,293	93.809	6,591,293	93.809
9.	Other invested assets .....				
10.	Total invested assets .....	7,026,293	100.000	7,026,293	100.000

GENERAL INTERROGATORIES
PART 1 - COMMON INTERROGATORIES
GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes[X] No[ ]
1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes[X] No[ ] N/A[ ]
1.3 State Regulating? Michigan
2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes[ ] No[X]
2.2 If yes, date of change: 12/31/2005
3.1 State as of what date the latest financial examination of the reporting entity was made or is being made.
3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.
3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).
3.4 By what department or departments? MICHIGAN OFFICE OF FINANCIAL AND INSURANCE SERVICES
4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
4.11 sales of new business? Yes[ ] No[X]
4.12 renewals? Yes[ ] No[X]
4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
4.21 sales of new business? Yes[ ] No[X]
4.22 renewals? Yes[ ] No[X]
5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes[ ] No[X]
5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

Table with 3 columns: 1 Name of Entity, 2 NAIC Company Code, 3 State of Domicile

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes[ ] No[X]
6.2 If yes, give full information:
7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes[ ] No[X]
7.2 If yes,
7.21 State the percentage of foreign control 0.000%
7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact)

Table with 2 columns: 1 Nationality, 2 Type of Entity

- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes[ ] No[X]
8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes[ ] No[X]
8.4 If response to 8.3 is yes, please provide the names and location (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e., the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC) and identify the affiliate's primary federal regulator.

Table with 7 columns: 1 Affiliate Name, 2 Location (City, State), 3 FRB, 4 OCC, 5 OTS, 6 FDIC, 7 SEC

- 9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit? PLANTE & MORAN, PLLC 2601 CAMBRIDGE COURT, SUITE 500, AUBURN HILLS, MI 48326
10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification? STEVEN P. ZOLDOS, WAKELY CONSULTING GROUP, 19321 US HIGHWAY 19 N, SUITE 515, CLEAR WATER, FL 33764
11.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes[ ] No[X]
11.11 Name of real estate holding company
11.12 Number of parcels involved
11.13 Total book/adjusted carrying value \$ 0
11.2 If yes, provide explanation
12. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
12.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
12.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes[ ] No[ ] N/A[X]
12.3 Have there been any changes made to any of the trust indentures during the year? Yes[ ] No[ ] N/A[X]
12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes? Yes[ ] No[ ] N/A[X]

GENERAL INTERROGATORIES (Continued)  
BOARD OF DIRECTORS

13. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof?
- Yes☒ No☐
14. Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof?
- Yes☒ No☐
15. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person?
- Yes☒ No☐

FINANCIAL

- 16.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

16.11 To directors or other officers\$ ..... 0

16.12 To stockholders not officers\$ ..... 0

16.13 Trustees, supreme or grand (Fraternal only)\$ ..... 0
- 16.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):

16.21 To directors or other officers\$ ..... 0

16.22 To stockholders not officers\$ ..... 0

16.23 Trustees, supreme or grand (Fraternal only)\$ ..... 0
- 17.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement?
- Yes☐ No☒
- 17.2 If yes, state the amount thereof at December 31 of the current year:

17.21 Rented from others\$ ..... 0

17.22 Borrowed from others\$ ..... 0

17.23 Leased from others\$ ..... 0

17.24 Other\$ ..... 0
- 18.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments?
- Yes☐ No☒
- 18.2 If answer is yes:

18.21 Amount paid as losses or risk adjustment\$ ..... 0

18.22 Amount paid as expenses\$ ..... 0

18.23 Other amounts paid\$ ..... 0
- 19.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?
- Yes☒ No☐
- 19.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount:
- \$ ..... 146,236

INVESTMENT

- 20.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E - Part 3 - Special Deposits?
- Yes☒ No☐
- 20.2 If no, give full and complete information, relating thereto:
- 21.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, except as shown on Schedule E - Part 3 - Special Deposits, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 17.1).
- Yes☐ No☒
- 21.2 If yes, state the amount thereof at December 31 of the current year:

21.21 Loaned to others\$ ..... 0

21.22 Subject to repurchase agreements\$ ..... 0

21.23 Subject to reverse repurchase agreements\$ ..... 0

21.24 Subject to dollar repurchase agreements\$ ..... 0

21.25 Subject to reverse dollar repurchase agreements\$ ..... 0

21.26 Pledged as collateral\$ ..... 0

21.27 Placed under option agreements\$ ..... 0

21.28 Letter stock or securities restricted as to sale\$ ..... 0

21.29 Other\$ ..... 0
- 21.3 For category (21.28) provide the following:
- | 1<br>Nature of Restriction | 2<br>Description | 3<br>Amount |
|----------------------------|------------------|-------------|
| .....                      | .....            | .....       |
- 22.1 Does the reporting entity have any hedging transactions reported on Schedule DB?
- Yes☐ No☒
- 22.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?  
If no, attach a description with this statement.
- Yes☐ No☐ N/A☒
- 23.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity?
- Yes☐ No☒
- 23.2 If yes, state the amount thereof at December 31 of the current year.
- \$ ..... 0
24. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1 - General, Section IV.H - Custodial or Safekeeping agreements of the NAIC Financial Condition Examiners Handbook?
- Yes☒ No☐
- 24.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:
- | 1<br>Name of Custodian(s)                         | 2<br>Custodian's Address                   |
|---|--|
| COMERICA BANK - ALBERT BERGER .....               | 611 WOODWARD AVE., DETROIT, MI 48226 ..... |
| FIRST INDEPENDENCE NAT'L BANK - RHONDA PUGH ..... | 44 MICHIGAN AVE., DETROIT, MI 48226 .....  |
- 24.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:
- | 1<br>Name(s) | 2<br>Location(s) | 3<br>Complete Explanation(s) |
|--------------|------------------|------------------------------|
| .....        | .....            | .....                        |
- 24.03 Have there been any changes, including name changes, in the custodian(s) identified in 24.01 during the current year?
- Yes☐ No☒
- 24.04 If yes, give full and complete information relating thereto:

GENERAL INTERROGATORIES (Continued)

1	2	3	4
Old Custodian	New Custodian	Date of Change	Reason

24.05 Identify all investment advisers, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1	2	3
Central Registration Depository Number(s)	Name	Address

25.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b)(1)])? Yes[ ] No[X]

25.2 If yes, complete the following schedule:

1	2	3
CUSIP #	Name of Mutual Fund	Book/Adjusted Carrying Value
25.2999 Total		

25.3 For each mutual fund listed in the table above, complete the following schedule:

1	2	3	4
Name of Mutual Fund (from above table)	Name of Significant Holding of the Mutual Fund	Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	Date of Valuation

26. Provide the following information for all short term and long term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
26.1 Bonds	435,000	435,000	
26.2 Preferred stocks			
26.3 Totals	435,000	435,000	

26.4 Describe the sources of methods utilized in determining the fair values  
BANK STATEMENTS

27.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes[ ] No[X]

27.2 If no, list exceptions:  
N/A

OTHER

28.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? \$. 0

28.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus during the period covered by this statement.

1	2
Name	Amount Paid

29.1 Amount of payments for legal expenses, if any? \$. 5,552

29.2 List the name of the firm and the amount paid if any such payments represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1	2
Name	Amount Paid
NUYEN, TOMTISHEN AND AOUN, P.C.	4,774

30.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or department of government, if any? \$. 0

30.2 List the name of firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies officers or department of government during the period covered by this statement.

**GENERAL INTERROGATORIES (Continued)**

1 Name	2 Amount Paid
.....	.....

GENERAL INTERROGATORIES (Continued)

PART 2 - HEALTH INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force?

Yes[ ] No[X]

1.2 If yes, indicate premium earned on U.S. business only:

\$ ..... 0

1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?

\$ ..... 0

1.31 Reason for excluding:

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.

\$ ..... 0

1.5 Indicate total incurred claims on all Medicare Supplement insurance.

\$ ..... 0

1.6 Individual policies - Most current three years:

1.61 Total premium earned

\$ ..... 0

1.62 Total incurred claims

\$ ..... 0

1.63 Number of covered lives

..... 0

All years prior to most current three years:

1.64 Total premium earned

\$ ..... 0

1.65 Total incurred claims

\$ ..... 0

1.66 Number of covered lives

..... 0

1.7 Group policies - Most current three years:

1.71 Total premium earned

\$ ..... 0

1.72 Total incurred claims

\$ ..... 0

1.73 Number of covered lives

..... 0

All years prior to most current three years:

1.74 Total premium earned

\$ ..... 0

1.75 Total incurred claims

\$ ..... 0

1.76 Number of covered lives

..... 0

2. Health Test

		1	2
		Current Year	Prior Year
2.1	Premium Numerator .....	24,728,231	4,292,373
2.2	Premium Denominator .....	24,728,231	4,292,373
2.3	Premium Ratio (2.1 / 2.2) .....	1.000	1.000
2.4	Reserve Numerator .....	3,393,524	1,475,539
2.5	Reserve Denominator .....	3,393,524	1,475,539
2.6	Reserve Ratio (2.4 / 2.5) .....	1.000	1.000

3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits?

Yes[ ] No[X]

3.2 If yes, give particulars:

4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency?

Yes[X] No[ ]

4.2 If not previously filed furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?

Yes[ ] No[X]

5.1 Does the reporting entity have stop-loss reinsurance?

Yes[X] No[ ]

5.2 If no, explain:

5.3 Maximum retained risk (see instructions):

5.31 Comprehensive Medical

\$ ..... 273,000

5.32 Medical Only

\$ ..... 0

5.33 Medicare Supplement

\$ ..... 0

5.34 Dental

\$ ..... 0

5.35 Other Limited Benefit Plan

\$ ..... 0

5.36 Other

\$ ..... 0

6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:  
CATASTROPHIC INSURANCE, LOOK SOLEY LANGUAGE IN CONTRACTS, INSOLVENCY INSURANCE

7.1 Does the reporting entity set up its claim liability for provider services on a service date base?

Yes[X] No[ ]

7.2 If no, give details:

8. Provide the following information regarding participating providers:

8.1 Number of providers at start of reporting year

..... 1,202

8.2 Number of providers at end of reporting year

..... 1,267

9.1 Does the reporting entity have business subject to premium rate guarantees?

Yes[ ] No[X]

9.2 If yes, direct premium earned:

9.21 Business with rate guarantees between 15-36 months

..... 0

9.22 Business with rate guarantees over 36 months

..... 0

10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts?

Yes[X] No[ ]

10.2 If yes:

10.21 Maximum amount payable bonuses

\$ ..... 213,001

10.22 Amount actually paid for year bonuses

\$ ..... 0

10.23 Maximum amount payable withholds

\$ ..... 280,076

10.24 Amount actually paid for year withholds

\$ ..... 0

11.1 Is the reporting entity organized as:

11.12 A Medical Group/Staff Model,

Yes[ ] No[X]

11.13 An Individual Practice Association (IPA), or,

Yes[ ] No[X]

11.14 A Mixed Model (combination of above)?

Yes[ ] No[X]

11.2 Is the reporting entity subject to Minimum Net Worth Requirements?

Yes[X] No[ ]

11.3 If yes, show the name of the state requiring such net worth.  
MICHIGAN

11.4 If yes, show the amount required.

\$ ..... 2,173,764

11.5 Is this amount included as part of a contingency reserve in stockholder's equity?

Yes[ ] No[X]

11.6 If the amount is calculated, show the calculation.  
Calculation is based on 200% RBC. See RBC calculation.

12. List service areas in which the reporting entity is licensed to operate:

1
Name of Service Area
OAKLAND .....
GENESSEE .....
MACOMB .....
WAYNE .....

FIVE-YEAR HISTORICAL DATA

	1 2006	2 2005	3 2004	4 2003	5 2002
<b>BALANCE SHEET (Pages 2 and 3)</b>					
1. Total admitted assets (Page 2, Line 26) .....	8,388,273	4,351,663	221,402		
2. Total liabilities (Page 3, Line 22) .....	4,187,454	1,743,435			
3. Statutory surplus .....	4,200,819	2,015,816			
4. Total capital and surplus (Page 3, Line 31) .....	4,200,819	2,608,228	221,402		
<b>INCOME STATEMENT (Page 4)</b>					
5. Total revenues (Line 8) .....	24,728,231	4,292,373			
6. Total medical and hospital expenses (Line 18) .....	18,951,789	3,166,970			
7. Claims adjustment expenses (Line 20) .....	464,376	66,335			
8. Total administrative expenses (Line 21) .....	3,802,636	83,438			
9. Net underwriting gain (loss) (Line 24) .....	1,509,430	975,630			
10. Net investment gain (loss) (Line 27) .....	51,797	14,093			
11. Total other income (Lines 28 plus 29) .....	750				
12. Net income or (loss) (Line 32) .....	1,561,977	989,723			
<b>RISK-BASED CAPITAL ANALYSIS</b>					
13. Total adjusted capital .....	4,200,819	2,608,228			
14. Authorized control level risk-based capital .....	1,086,882	1,007,908			
<b>ENROLLMENT (Exhibit 1)</b>					
15. Total members at end of period (Column 5, Line 7) .....	9,567	9,152			
16. Total members months (Column 6, Line 7) .....	114,179	19,150			
<b>OPERATING PERCENTAGE (Page 4)</b>					
(Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0					
17. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5) .....	100.0	100.0	100.0	100.0	100.0
18. Total hospital and medical plus other non-health (Lines 18 plus Line 19) ..	77	74			
19. Cost containment expenses .....	2	2		X X X	X X X
20. Other claims adjustment expenses .....					
21. Total underwriting deductions (Line 23) .....	94	77			
22. Total underwriting gain (loss) (Line 24) .....	6	23			
<b>UNPAID CLAIMS ANALYSIS</b>					
(U&I Exhibit, Part 2B)					
23. Total claims incurred for prior years (Line 13, Column 5) .....	1,455,825				
24. Estimated liability of unpaid claims-[prior year (Line 13, Column 6)] .....	1,475,539				
<b>INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES</b>					
25. Affiliated bonds (Sch. D Summary, Line 25, Column 1) .....					
26. Affiliated preferred stocks (Sch. D Summary, Line 39, Column 1) .....					
27. Affiliated common stocks (Sch. D Summary, Line 53, Column 2) .....					
28. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Column 5, Line 11) .....					
29. Affiliated mortgage loans on real estate .....					
30. All other affiliated .....					
31. Total of above Lines 25 to 30 .....					

SCHEDULE D - SUMMARY BY COUNTRY  
Long-Term Bonds and Stocks OWNED December 31 of Current Year

Description			1 Book/Adjusted Carrying Value	2 Fair Value	3 Actual Cost	4 Par Value of Bonds
BONDS Governments (Including all obligations guaranteed by governments)	1.	United States .....				
	2.	Canada .....				
	3.	Other Countries .....				
	4.	Totals .....				
States, Territories and Possessions (Direct and Guaranteed)	5.	United States .....				
	6.	Canada .....				
	7.	Other Countries .....				
	8.	Totals .....				
Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed)	9.	United States .....				
	10.	Canada .....				
	11.	Other Countries .....				
	12.	Totals .....				
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13.	United States .....				
	14.	Canada .....				
	15.	Other Countries .....				
	16.	Totals .....				
Public Utilities (unaffiliated)	17.	United States .....				
	18.	Canada .....				
	19.	Other Countries .....				
	20.	Totals .....				
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21.	United States .....	435,000	435,000	435,000	435,000
	22.	Canada .....				
	23.	Other Countries .....				
	24.	Totals .....	435,000	435,000	435,000	435,000
Parent, Subsidiaries and Affiliates	25.	Totals .....				
	26.	Total Bonds .....	435,000	435,000	435,000	435,000
PREFERRED STOCKS Public Utilities (unaffiliated)	27.	United States .....				
	28.	Canada .....				
	29.	Other Countries .....				
	30.	Totals .....				
Banks, Trust and Insurance Companies (unaffiliated)	31.	United States .....				
	32.	Canada .....				
	33.	Other Countries .....				
	34.	Totals .....				
Industrial and Miscellaneous (unaffiliated)	35.	United States .....				
	36.	Canada .....				
	37.	Other Countries .....				
	38.	Totals .....				
Parent, Subsidiaries and Affiliates	39.	Totals .....				
	40.	Total Preferred Stocks .....				
COMMON STOCKS Public Utilities (unaffiliated)	41.	United States .....				
	42.	Canada .....				
	43.	Other Countries .....				
	44.	Totals .....				
Banks, Trust and Insurance Companies (unaffiliated)	45.	United States .....				
	46.	Canada .....				
	47.	Other Countries .....				
	48.	Totals .....				
Industrial and Miscellaneous (unaffiliated)	49.	United States .....				
	50.	Canada .....				
	51.	Other Countries .....				
	52.	Totals .....				
Parent, Subsidiaries and Affiliates	53.	Totals .....				
	54.	Total Common Stocks .....				
	55.	Total Stocks .....				
	56.	Total Bonds and Stocks .....	435,000	435,000	435,000	

SCHEDULE D - Verification Between Years  
Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year. .	315,000	7. Amortization of premium. ....	
2. Cost of bonds and stocks acquired, Column 7, Part 3. ....	200,000	8. Foreign Exchange Adjustment:	
3. Accrual of discount .....		8.1 Column 15, Part 1. ....	
4. Increase (decrease) by adjustment:		8.2 Column 19, Part 2, Section 1. ....	
4.1 Columns 12 - 14, Part 1. ....		8.3 Column 16, Part 2, Section 2. ....	
4.2 Column 15 - 17, Part 2, Section 1. ....		8.4 Column 15, Part 4. ....	
4.3 Column 15, Part 2, Section 2. ....			
4.4 Column 11 - 13, Part 4. ....		9. Book/adjusted carrying value at end of current period. ....	435,000
5. Total gain (loss), Column 19, Part 4. ....		10. Total valuation allowance. ....	
6. Deduct consideration for bonds and stocks disposed of		11. Subtotal (Lines 9 plus 10). ....	435,000
Column 7, Part 4. ....	80,000	12. Total nonadmitted assets. ....	
		13. Statement value of bonds and stocks, current period. ....	435,000

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS  
ALLOCATED BY STATES AND TERRITORIES

		1	2	Direct Business Only					
				3	4	5	6	7	8
State, Etc.		Guaranty Fund (Yes or No)	Is Insurer Licensed (Yes or No)	Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums	Life & Annuity Premiums & Deposit-Type Contract Funds	Property/ Casualty Premiums
1.	Alabama (AL)	No	No						
2.	Alaska (AK)	No	No						
3.	Arizona (AZ)	No	No						
4.	Arkansas (AR)	No	No						
5.	California (CA)	No	No						
6.	Colorado (CO)	No	No						
7.	Connecticut (CT)	No	No						
8.	Delaware (DE)	No	No						
9.	District of Columbia (DC)	No	No						
10.	Florida (FL)	No	No						
11.	Georgia (GA)	No	No						
12.	Hawaii (HI)	No	No						
13.	Idaho (ID)	No	No						
14.	Illinois (IL)	No	No						
15.	Indiana (IN)	No	No						
16.	Iowa (IA)	No	No						
17.	Kansas (KS)	No	No						
18.	Kentucky (KY)	No	No						
19.	Louisiana (LA)	No	No						
20.	Maine (ME)	No	No						
21.	Maryland (MD)	No	No						
22.	Massachusetts (MA)	No	No						
23.	Michigan (MI)	No	Yes	24,728,231					
24.	Minnesota (MN)	No	No						
25.	Mississippi (MS)	No	No						
26.	Missouri (MO)	No	No						
27.	Montana (MT)	No	No						
28.	Nebraska (NE)	No	No						
29.	Nevada (NV)	No	No						
30.	New Hampshire (NH)	No	No						
31.	New Jersey (NJ)	No	No						
32.	New Mexico (NM)	No	No						
33.	New York (NY)	No	No						
34.	North Carolina (NC)	No	No						
35.	North Dakota (ND)	No	No						
36.	Ohio (OH)	No	No						
37.	Oklahoma (OK)	No	No						
38.	Oregon (OR)	No	No						
39.	Pennsylvania (PA)	No	No						
40.	Rhode Island (RI)	No	No						
41.	South Carolina (SC)	No	No						
42.	South Dakota (SD)	No	No						
43.	Tennessee (TN)	No	No						
44.	Texas (TX)	No	No						
45.	Utah (UT)	No	No						
46.	Vermont (VT)	No	No						
47.	Virginia (VA)	No	No						
48.	Washington (WA)	No	No						
49.	West Virginia (WV)	No	No						
50.	Wisconsin (WI)	No	No						
51.	Wyoming (WY)	No	No						
52.	American Samoa (AS)	No	No						
53.	Guam (GU)	No	No						
54.	Puerto Rico (PR)	No	No						
55.	U.S. Virgin Islands (VI)	No	No						
56.	Northern Marianas Islands (MP)	No	No						
57.	Canada (CN)	No	No						
58.	Aggregate other alien (OT)	X X X	X X X						
59.	Subtotal	X X X	X X X	24,728,231					
60.	Reporting entity contributions for Employee Benefit Plans	X X X	X X X						
61.	TOTAL (Direct Business)	X X X	(a) 1	24,728,231					
DETAILS OF WRITE-INS									
5801.		X X X	X X X						
5802.		X X X	X X X						
5803.		X X X	X X X						
5898.	Summary of remaining write-ins for Line 58 from overflow page	X X X	X X X						
5899.	TOTALS (Lines 5801 through 5803 plus 5898) (Line 58 above)	X X X	X X X						

(a) Insert the number of yes responses except for Canada and Other Alien.  
Explanation of basis of allocation of premiums by states, etc.:

**SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER**  
**MEMBERS OF A HOLDING COMPANY GROUP**  
**PART 1 - ORGANIZATIONAL CHART**

TOTAL HEALTH CARE, INC. - PARENT  
38-2018957, NAIC #95644, STATE OF MICHIGAN

TOTAL HEALTH CARE USA, INC. - WHOLLY OWNED SUBSIDIARY OF TOTAL HEALTH CARE, INC.  
38-3240485, NAIC #12326, STATE OF MICHIGAN

TOTAL HEALTH CHOICE, INC. - WHOLLY OWNED SUBSIDIARY OF TOTAL HEALTH CARE, INC.  
33-0603319, NAIC #95134, STATE OF FLORIDA